

## **Climate change mitigation potential and environmental policy instruments in the Republic of Belarus**

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### **Abstract**

The article is devoted to the environmental policy system in Belarus and its effectiveness in climate change mitigation and increasing of energy efficiency in public sector.

At first national circumstances and GHG emission abatement strategy are determined.

At second critical analysis of efficiency of the current environmental paying system in Belarus is carried out. On the basis of analysis of theoretical approaches to optimal setting of environmental tax the author makes offers on perfection of environmental paying system in Belarus. The realization into practice of the «double dividend» hypothesis requires financial stability and approaches for economically developed countries in which increasing of the environmental tax rate has in many respects connected with fiscal crisis. In Belarusian conditions it is more rational to follow the Bovenberg-Goulder approach. It supposes increasing of the role of the income tax and to use a part of its revenues as the subsidy for «green» consumption. Correction of the environmental tax rates should be accompanied by revision of existing environmental legislation, in particular, in respect of simplification of the system of payments, revision of rates of other taxes for the purpose of non-admission of considerable tax burden and negative influence on the labour and capital markets. Increase of environmental tax will be possible at simultaneous reduction of the assessment basis with orientation to main pollutants. Then existing flow of tax proceeds can be kept at existing level without additional tax burden at simultaneous achievement of the ecological purpose. However environmental tax is not the unique environmental policy instrument and it should be used as a part of a set of instruments.

At third necessary conditions and possible problems and restrictions of effective functioning of the permit market for environmental pollution are revealed. The market mechanism allows minimizing aggregate abatement costs of the enterprises-emitters by redistribution of permits to pollution between them as accurately specified rights for the use of assimilative potential of the environment. As consequence, less expensive, than under administrative-and-control regulation, transition to more strict ecological standards without obstacle to economic growth is provided, ecological innovations are stimulated. A number of possible problems and restrictions of effective functioning of the permit market for environmental pollution is revealed. In order that trade in permits provides incentives to the greatest reduction of emissions of polluting substances by those enterprises which can carry out it with lower costs, fulfillment of some conditions is necessary that have been revealed by the author. The infrastructure of the national permit market for environmental pollution is presented. It provides decreasing the level of transaction costs, minimizes risks of potential investors and promotes effective functioning of the market mechanism. Also base parameters of the permit market for environmental pollution in the Republic of Belarus are presented.

*Keywords: climate and energy policy; environmental tax; tradable emission permits market.*